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Public Employee Pension Transparency

Washington DC – Today, Congressman Devin Nunes (CA-21) and Senator Richard Burr (NC) announced the House introduction of the **Public Employee Pension Transparency Act**. Companion legislation will be introduced in the Senate next week.

The legislation introduced in the House today was first introduced by Representative Nunes in December. It provides enhanced transparency for state and local pensions and establishes a clear federal prohibition on any future public pension bailouts by the federal government.

During a press conference in the Capitol, Congressman Nunes and Senator Burr were joined by the bill's principal co-authors, including Senator John Thune (SD), Budget Committee Chairman Paul Ryan (WI-1), and Government Reform and Oversight Chairman Darrell Issa (CA-49).

The press conference was also attended by a coalition of bill supporters including Grover Norquist representing Americans for Tax Reform, Tom Schatz of the Council for Citizens Against Government Waste, Larry Hart of The American Conservative Union, Pete Sepp on behalf of the National Taxpayers Union, Randy Johnson of the U.S. Chamber of Commerce, Jim MacDougald on behalf of Free Enterprise Nation, and Steve Woods, representing the National Federation of Independent Businesses.

Principal House author, Devin Nunes, offered the following statement:

“Government at all levels needs to take its collective head out of the sand. We have enormous challenges associated with government spending and entitlements,” said Rep. Devin Nunes.

“Public employee pensions represent trillions of debt carried by the American taxpayer. Unfortunately, this debt is masked by accounting practices that would never be tolerated in the private sector. It’s time to open up the books. Once we enact this bill, retirees, government workers, policy makers, and most importantly the people who are paying the bills, can make up their own minds about the soundness of public pensions.”

Principal Senate author Richard Burr:

“This bill would implement uniform standards for public-employee pension funds so that citizens can accurately judge the performance of state and local authorities in managing the public trust.

This information is only for the purpose of disclosure, the rights of states and local governments to fund and control their own plans is maintained,” said Sen. Burr. “The bill also prevents a federal bailout of state and local government pension plans which empowers local authorities to make the reforms needed to ensure problems cannot be dumped upon taxpayers.”

Budget Committee Chairman Paul Ryan:

"We need to ensure that state and local governments are accurate and honest in detailing their financial liabilities, including the cost of pension plans for public employees. The Public Employee Pension Transparency Act will make government more accountable to taxpayers by shining a light on the financial soundness and unfunded obligations associated with these plans, and I’m honored to join Representatives Nunes and Issa in sponsoring this common-sense legislation."

Senator John Thune:

"Taxpayers have a right to know the full extent of their government's underfunded liabilities," said Sen. Thune. "State and local governments should use the same accounting standards that are widely accepted in the private sector to determine the true costs associated with their pensions. As the federal government faces a looming fiscal crisis, which will require significant spending cuts and budget reforms, adding underfunded state and local pension obligations to the balance sheet is simply not an option."

Government Reform and Oversight Chairman Darrell Issa:

“The American people have a right to know the truth about the unfunded liabilities being run-up by state and local pensions. Quite frankly, if they have nothing to hide, there’s no reason why the states and local governments who control public employee pensions should not embrace this effort to ensure that the taxpayers have a more transparent accounting of the true nature of pension liabilities.”

Most state and local governments offer their employees defined benefit pension plans. These plans currently promise retirement pensions to about 20 million active employees, while another seven million retirees and their dependants are receiving benefits today.

According to leading financial experts, the enormous debt reported by public employee pensions fails to convey the true size of the debt confronting taxpayers because public pensions are able to calculate their liabilities using unreasonably high discount rates. In many instances, they also distort fair market value of assets in order to hide debt.

The Public Employee Pension Transparency Act will establish new transparency rules, allowing plans to report their existing financial data but also requiring them to report their methods and assumptions. Public employee pension plans will also have to report their liabilities using a uniform accounting standard that will provide realistic rates of return and tie assets to more reasonable fair market valuations.

State and local officials should welcome increased public pension transparency as a tool to increase public finance soundness. However, plan sponsors may decide against reporting this information. To incentivize transparency, the bill links the creation of new federally subsidized debt at the state and local level with an honest accounting of current public pension liabilities. Failure to report will result in the suspension of all federal tax-exempt bonding authority for the jurisdiction(s) whose employees are covered by the non-compliant plan.

Independent studies demonstrate that public employee pensions had approximately $1.94 trillion set aside to pay retirement benefits promised to government workers as of 2008. However, these pensions have liabilities of $5.17 trillion, which means that they are underfunded by $3.23 trillion. Ten states including Oklahoma, Louisiana, Illinois, New Jersey, Connecticut, Arkansas, West Virginia, Kentucky, Hawaii, and Indiana are projected to run out of pension funds by 2020, the vast majority of states will have exhausted their pension funds by 2030.

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